

FISCAL NOTE
LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2013-14		FY 2014-15	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	(\$893,764)		(\$883,536)	
CASH FUNDS	\$1,933,861		\$2,013,458	
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	\$1,040,097		\$1,129,922	

Any Fiscal Notes received from state agencies and political subdivisions are attached following the Legislative Fiscal Analyst Estimate.

LB 495 changes the allocation of the Education Innovation Fund beginning in FY2013-14 through FY2015-16. The fund is derived from lottery proceeds. The bill provides a new appropriation of \$1 million per year for the three year period from the fund for the Early Childhood Education Endowment. The Endowment provides grants for programs serving at-risk children from birth to age 3.

LB 495 shifts the funding for several administrative programs within the State Department of Education (NDE) from lottery funds to general funds. Intent language is included in the bill stating that general funds will be provided for the student information system, Center for Student Leadership and Extending Learning Act, multicultural education program, and, certification investigations beginning in FY14. The change increases general fund expenditures by \$806,236 in FY14 and \$816,464 in FY15.

Pursuant to current law, aid funding (\$3,365,962) for the Early Childhood Grant Program is to be shifted back to the General Fund in FY14 after being paid with lottery proceeds in FY12 and FY13. It is assumed the bill requires \$1,665,962 of the \$3.36 million for the grant program to be shifted back to general funds in FY14 through FY16. The remaining \$1.7 million expended for the program is to continue to be funded with lottery proceeds. This results in a savings for the General Fund of a like amount. In addition, LB 495 provides a \$50,000 increase in aid funds for the program in FY14, \$150,000 increase in FY15 and \$250,000 increase in FY16.

Education Innovation Fund Expenditures: The following table shows the estimated increase in cash fund expenditures from the Education Innovation Fund per LB 495:

Education Innovation Fund

	2013-14	2013-14		2014-15	2014-15		2015-16	2015-16
	Current Law	LB 495		Current Law	LB 495		Current Law	LB 495
No Funding Changes per LB 495:								
Attracting Excellence To Teaching Administration	1,000,000	1,000,000		1,000,000	1,000,000		1,000,000	1,000,000
Distance Ed. Incentives/Equipment	107,821	107,821		110,516	110,516		113,279	113,279
High Ability Learner Aid	2,100,000	2,100,000		2,150,000	2,150,000		2,220,000	2,220,000
ACT Pilot Project	2,230,065	2,230,065		2,285,816	2,285,816		2,342,962	2,342,962
Bridge Programs	160,000	160,000		0	0		0	0
	200,000	200,000		200,000	200,000		0	0
Funding Changes per LB 495:								
Student Leadership Center	461,250	0		472,781	0		484,601	0
Multicultural Education	117,495	0		120,432	0		123,443	0
Certification Investigations	126,555	0		129,719	0		132,962	0
Student Information System	110,839	0		113,610	0		116,451	0
Early Childhood Grants	0	1,750,000		0	1,850,000		0	1,950,000
Early Childhood Endowment	0	1,000,000		0	1,000,000		0	1,000,000
Total Ed. Innovation Fund Expend.	6,614,025	8,547,886		6,582,874	8,596,332		6,533,698	8,626,241
Increase in Cash Fund Expend.		\$1,933,861			\$2,013,458			\$2,092,543

Balance in the Education Innovation Fund: The Education Innovation Fund is currently earmarked per statute for various education programs and initiatives through FY2015-16 as shown on the table. Beginning in FY2016-17, current law removes the earmarking of lottery funds for the various programs and provides that the Legislature will determine the use of the fund for education purposes.

LB 495 increases expenditures from the fund in FY14 through FY16. A cash flow analysis of the Education Innovation Fund shows the increased cash fund expenditures pursuant to the bill decrease the projected cash fund balance from an estimated \$8,780,000 to \$2,500,000 at the end of FY2015-16.

General Fund Expenditures: the bill also has a net decrease in general fund expenditures. General fund expenditures increase to pay the costs of four programs shifted back to general funds. However, the bill reduces general fund expenditures by not transferring the entire cost of the Early Childhood Grant Program back to general funds. The table below shows the net savings.

Fiscal Impact for General Fund

	2013-14 Est.	2014-15 Est.	2015-16 Est.
Required by Current Law: Early Childhood Grants- shift to General Fund	3,365,962	3,365,962	3,365,962
Proposed Shift to General Fund per LB 495:			
Early Childhood Grants (lesser amount)	1,665,962	1,665,962	1,665,962
Student Leadership Center.	450,000	450,000	450,000
Multicultural Education	114,629	114,629	114,629
Certification Investigations	123,468	123,468	123,468
Student Information System	108,136	108,136	108,136
Salary/Benefits for Staff	<u>10,003</u>	<u>20,231</u>	<u>31,300</u>
	2,472,198	2,482,426	2,493,495
Decrease in General Fund Expend.	(\$893,764)	(\$883,536)	(\$872,467)

NDE may use up to 5% of the increased funding provided to the Early Childhood Grant Program for evaluation and technical assistance for the programs. The bill increases aid by \$50,000 in FY14, \$150,000 in FY15 and \$250,000 in FY16. So, evaluation and technical assistance may increase by \$2,500 in FY14, \$7,500 in FY15, and \$12,500 in FY16. It is assumed NDE will not require additional staff to administer the increase in early childhood aid.

The board of trustees for the Early Childhood Education Endowment may also use up to 10% of the \$1 million of increased funding provided in FY14, FY15 and FY16 for evaluation and technical assistance.

ADMINISTRATIVE SERVICES-STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSES		
LB: 495	AM:	AGENCY/POLT. SUB: Department of Education
REVIEWED BY: Matthew Eash	DATE: 3/13/2013	PHONE: 402-471-4175
<p>COMMENTS: LB 495 would add two education initiatives and remove four other initiatives from the Education Innovation Cash Fund, the net result of which would increase Cash Funds appropriations by approximately \$1.9 million from FY 2013-14 through FY 2015-16. New intent language would require an estimated increase of \$800,000 up to \$1,000,000 in General Fund appropriation for each of these years in order to replace the funding for the four initiatives removed from Cash Funds. Under current law the Cash Fund allocation for the Early Childhood Education Grant (\$3,365,962) was not authorized going forward in FY 2013-14, and there is no existing intent language to replace with General Funds. LB 365 also does not indicate intent to fund this base amount with General Funds beginning in FY 2013-14, nor does it indicate intent to replace with General Funds only the portion it is not renewing in the Education Innovation Cash Fund for the next three years. Therefore, the potential General Fund impact of possible other Legislative actions regarding the Early Childhood Education Grant cannot be assumed based on this legislation.</p> <p>NDE Operations: The Department has not presented a rationale for why it would need additional funding/personnel to perform the same functions it is currently performing within its existing General Fund and Cash Fund budgets.</p>		

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2013

LB⁽¹⁾ 495 REVISED FISCAL NOTE

State Agency OR Political Subdivision Name: (2) Nebraska Department of Education

Prepared by: (3) Melody Hobson, Russ Inbody Date Prepared: (4) Revised 01/31/13 Phone: (5) 471-0263/471-4320

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2013-2014</u>		<u>FY 2014-2015</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	<u>338,688</u>	<u></u>	<u>352,306</u>	<u></u>
CASH FUNDS	<u></u>	<u></u>	<u></u>	<u></u>
FEDERAL FUNDS	<u></u>	<u></u>	<u></u>	<u></u>
OTHER FUNDS	<u>2,750,000</u>	<u>2,750,000</u>	<u>2,850,000</u>	<u>2,850,000</u>
TOTAL FUNDS	<u>3,088,688</u>	<u>2,750,000</u>	<u>3,202,309</u>	<u>2,850,000</u>

Return by date specified or 72 hours prior to public hearing, whichever is earlier.

Explanation of Estimate: The total amount is the amount identified to provide technical assistance and evaluate early childhood programs operated by school districts and their partners. During the last biennium, funding for the Early Childhood Education Grant Program (This grant program provides grants to school districts for programs for children 3 to 5 years old.) was moved from state General Funds to Lottery Funds. The intent at that time seemed to be that after two years, the Early Childhood Education Grant Program would revert to being funded by state General Funds. Up to 5% of the total appropriation from General Funds is available to NDE for technical assistance and evaluation. A percentage of Lottery Funds has **not** been identified for use by NDE for technical assistance and evaluation of these early childhood programs.

LB 495 identifies that \$1,750,000 would be allocated to Early Childhood Education Grants awarded by the State Department of Education for fiscal year 2013-2014. The amount available for Early Childhood Education Grants would rise to \$1,850,000 in the 2014-2015 year, and \$1,950,000 in the 2015-2016 year. The lottery fund allocation for the Early Childhood Education Grant Program for the current fiscal year is \$3,365,962. The allocation in LB 485 represents a \$1,615,962 **decrease** in Lottery funding for the Early Childhood Education Grant Program from the 2012-2013 year to the 2013-2014 year; a **decrease** of \$1,515,962 from the 2012-2013 year to the 2014-2015 year; and a **decrease** of \$1,416,962 from the 2012-2013 year to the 2015-2016 year.

LB 405 identifies \$1,000,000 that would be transferred from Lottery Funds into the Early Childhood Education Endowment Cash Fund in each of the following fiscal years, 2013-2014, 2014-2015, and 2015-2016. Currently, no Lottery Funds are transferred to the Early Childhood Education Endowment Cash Fund. This represents an **increase** of \$1,000,000 in funding for the Early Childhood Education Endowment Cash fund for each of the next three fiscal years.

This bill also eliminates funding to NDE from the Education Innovation Fund for the integrated early childhood, elementary, secondary, and postsecondary student information system (\$108,136), the Center for Student Leadership and Extended Learning Act (\$450,000) the multicultural education program created under section 79-720 (\$114,629) and to employ persons to investigate and prosecute alleged violations as provided in section 79-868 (\$123,468).

The amounts shown in parenthesis are the amounts allocated for the 2012-13 fiscal year. These amounts were to be increased by the by the basic allowable growth rate pursuant to section 79-1025 for the 2013-14 fiscal year and the 2014-15 fiscal year.

MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2013-2014</u>	<u>2014-2015</u>
	<u>13-14</u>	<u>14-15</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
Administrator	<u>1</u>	<u>1</u>	<u>78,115</u>	<u>79,873</u>
Education Specialist II	<u>1.75</u>	<u>1.75</u>	<u>85,743</u>	<u>87,673</u>
Administrative Associate III	<u>.44</u>	<u>.44</u>	<u>13,939</u>	<u>14,252</u>
Benefits.....			<u>101,877</u>	<u>109,853</u>
Operating.....			<u>46,216</u>	<u>47,473</u>
Travel.....			<u>12,798</u>	<u>13,182</u>
Capital outlay.....				
Aid.....			<u>2,750,000</u>	<u>2,850,000</u>
Capital improvements.....				
TOTAL.....			<u>3,088,688</u>	<u>3,202,306</u>

